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SUBJECT: Scen setter for the Secretary of Defense's Visit to
Montenegro

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This is a Podgorica cable. It was not cleared by Embassy Belgrade.

Summary

1. (SBU) Your visit comes as the Montenegrins celebrate their newly regained independence following a successful referendum in May. Most recently, during the 10 September parliamentary elections the Montenegrin voters handed Prime Minister Milo Djukanovic's ruling coalition another mandate with 41 out of 81 parliamentary seats or approximately 50% of the vote. The pro-West, pro-American Montenegrin leadership will provide a receptive interlocutor, eager to develop strong ties with Washington and to prove itself a reliable partner. Montenegrins are in agreement on the need to implement democratic and economic reforms and make rapid progress on Euro-Atlantic integration. End Summary.

Strategic Situation: Reporting for Duty...

2. (SBU) Your visit will center on Montenegrin Prime Minister and Acting Minister of Defense Milo Djukanovic. The Montenegrin leadership strongly believes their country's future lies within PfP, and eventual NATO and EU Membership. All are forthright on Montenegro's desire to have the United States as a strategic partner. Further, the Montenegrin leadership possesses the necessary political will for a security contribution to the Global War on Terror (GWOT) commensurate with Montenegro's resources.

3. (SBU) Prime Minister Djukanovic appears ready to provide the necessary leadership to energize his nation and military for eventual participation in GWOT. Prime Minister Djukanovic has stated his government's readiness to immediately sign SOFA and negotiate Art 98 agreements as well as provide sufficient funding for the Montenegrin Armed Forces (MAF) during this challenging formative period. The Prime Minister has assumed Minister of Defense duties in order to provide the required leadership and political support during this critical time. PM Djukanovic is expected to form his new cabinet in the next few weeks. There are no clear indications who will be the next Minister of Defense or Minister of Foreign Affairs.

¶4. (SBU) The Montenegrin Armed Forces (MAF) are led by Lieutenant Colonel General Jovan Lakcevic. The Chief of Defense (CHOD) is committed to transitioning the MAF into a deployable light-infantry force numbering approximately 2600 officers and men with air and naval support bases. The MAF's main missions would be national defense, participation in peacekeeping, NATO or U.S.-led operations as well as disaster relief. General Lakcevic envisions a potential MAF security contribution of four platoons each having niche capabilities such as special operations/counter-terrorism, military police, combat engineers, and mountain infantry. The CHOD views participation in U.S.-led operations as the best means to form the nucleus of a professional, interoperable MAF trained to NATO standards.

¶5. (SBU) You may want to use this opportunity to send an encouraging message that the U.S. is committed to support Montenegro's efforts towards Euro-Atlantic integration and its entry into PfP. Additionally, the Montenegrins will be keen to hear your views and guidance on the future development of our bilateral defense relationship.

Political Situation: Rebirth of a Nation

¶6. (U) The independence referendum held in Montenegro on May 21 was widely considered free, fair, and transparent by international observers. The Republic Referendum Commission confirmed the referendum's success on May 31. Turnout was 86.5 percent, with 230,661 voters (55.5 percent) supporting independence and 185,002 voters (44.5 percent) against.

¶7. (SBU) On June 3, parliament officially accepted the referendum results and declared Montenegro independent, restoring sovereignty after 88 years. The international community originally recognized the Montenegrin state, which the Ottoman Turks never completely conquered, on 13 July 1878 at the Congress of Berlin. It was

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subsumed by the Kingdom of Serbs, Croats, and Slovenes (later named the Kingdom of Yugoslavia) in 1918 during the aftermath of World War I following Serbian interference and a suspect act of parliament.

¶8. (U) As of September 17, over 70 countries including Serbia had recognized Montenegro and the process continues apace. Montenegro joined the OSCE on June 22 and the UN on June 28. The U.S. recognized Montenegro on June 12, and announced the establishment of diplomatic relations on August 15.

The Divided House Stands

¶9. (SBU) The political situation in Montenegro remains calm and stable, despite a significant and emotional divide among the public. Most Montenegrins have accepted the referendum outcome and are adapting to their new, independent world. Nonetheless, a sizable minority (about 30 percent, largely ethnic Serbs) continues to question the legitimacy of the result. They are, however, limiting themselves to public grumbling and violence remains highly unlikely.

¶10. (SBU) Buoyed by his successful drive for independence, Prime Minister Milo Djukanovic remains the head of a stable, pro-Western coalition government, whose credibility is bolstered daily by the flurry of international well-wishes and recognition. His government's primary foreign policy goals are EU and NATO membership and he would like to ally Montenegro closely with the United States. Domestically, the government's track record on fully implementing needed democratic and economic reforms is generally positive with some room for improvement.

September 10 Parliamentary Elections

¶11. (U) Republic-wide parliamentary elections returned the Prime Minister Djukanovic's ruling coalition to power with 41 of

parliaments' 81 seats, an absolute majority or approximately 49.5 percent of the vote. OSCE monitoring mission stated that the vote was generally in line with international standards. Voter turnout was 70 percent. Milo Djukanovic is expected to remain as Prime Minister and with a convincing mandate is free to pursue his foreign policy and domestic economic goals. Djukanovic is the most popular political figure and even his detractors acknowledge that he is clearly the most skillful politician in Montenegro.

¶12. (SBU) The Montenegrin Opposition is fractured among three groups and split up 34 parliamentary seats. The Serbian List led by Serbian people's Party (SNS) and Andrija Mandic is openly pro-Serbian garnered 12 seats and displaced leading opposition figure Predrag Bulatovic and his Socialist Peoples Party (SNP) which finished with 11 seats. Newcomer Nebojsa Medojevic and The Movement for Change (PzP) picked up 11 seats in its first campaign. With the exception of the SNS and Mandic all other Montenegrin opposition leaders are committed to Montenegro and desire to see the state succeed. The moderate opposition, most notably, Medojevic has refused Djukanovic's offer to join his future government. Of note, ethnic minorities are represented in the Montenegrin parliament with Albanians securing five seats and Bosniaks two.

¶13. (U) PM Djukanovic is expected to recommend his new cabinet to his party ally President Vujanovic soon. Post expects a number of changes but Djukanovic has kept his cards very close, particularly as to key positions such as Defense Minister and Foreign Minister.

Fighting Corruption

¶14. (U) Djukanovic will need to move quickly to increase public confidence in state institutions. To start, his administration must focus on reigning in widespread corruption at all levels, which many Montenegrins list as the country's biggest problem (along with low living standards). In this process, implementation of existing legislation will be key. The August 14 indictment of ten individuals for the August 2005 assassination of the national police chief is seen as both an important blow against organized crime, and a test of the Government's commitment to the fight.

Attracting Investment

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¶15. (U) Montenegro has been successful in attracting foreign direct investment (FDI). In 2005, FDI amounted to Euros 383 million (USD 490 million) - 23.3 percent of GDP or USD 750 per capita - the highest in the region. Half of that was greenfield investments, as Montenegro nears complete divestment of state-owned assets. The GoM plans that over the next four years, foreigners will make over a billion euros of direct foreign investments into Montenegro. The Government has adopted a business-friendly investment climate (e.g., 9 percent corporate tax rate, full repatriability of profits), urged on by local NGOs.

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